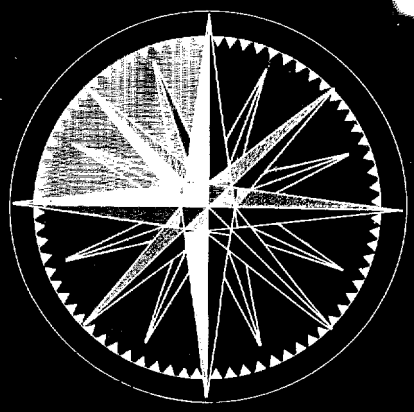

25 February 1966

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SPECIAL REPORT

INDIA UNDER INDIRA GANDHI

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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INDIA UNDER INDIRA GANDHI

Indira Gandhi inherited a bewildering maze of urgent national problems when sworn in as India's prime minister on 24 January. A continuation of last summer's drought into the winter growing season has killed any hope that spring harvests will ease the impending food crisis. Foreign exchange shortages are forcing many industries to curtail production, and unemployment is increasing. Relations with Pakistan remain delicate and the threat posed by Communist China also continues to worry India's defense and foreign affairs ministers. National politics, moreover, are troubled by feuds among state leaders of the ruling Congress Party which are frustrating efforts by the party's high command in New Delhi to promote party unity in preparation for the 1967 general elections.

Despite the magnitude of the problems facing it, the government, with its massive parliamentary majority, is assured of at least a year in which to prove itself. Failure to meet the present crisis could place the Congress Party in its most disadvantageous position since independence. On the other hand, a marked success in the face of adversity could reinvigorate the sagging morale of party members and revive the confidence of the electorate in the Congress Party's leadership.

Assets and Limitations

In her efforts to cope with these pressing problems Mrs. Gandhi has some substantial political and administrative assets at her disposal. Within her cabinet she can rely upon the close counsel of three competent ministers holding key portfolios: Defense Minister Chavan, Agriculture Minister Subramaniam, and Planning Minister Mehta. She is also on good terms with powerful Congress Party president Kamaraj, to whom she owes her election and upon whose judgment she will probably rely heavily in party matters. Mrs. Gandhi's own long exposure to Indian political life as her late father's closest confidante, as party president in 1959, and as a member of Shastri's cabinet compensates somewhat for her lack of extensive administrative experience.

Policy alternatives open to the new government are sharply limited by the very magnitude of the problems its faces. It will probably continue the relatively pragmatic approach to domestic problems adopted by the Shastri government. The

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Indira Gandhi with Congress Party president Kamaraj at the time of her selection as prime minister.

KEY MEMBERS OF THE INDIAN CABINET

Planning Minister
MEHTA

Defense Minister
CHAVAN

Agriculture Minister
SUBRAMANIAM

25 FEBRUARY 1966
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cosmopolitan Mrs. Gandhi may take a more active personal interest in foreign affairs than did her predecessor, but here again there is little room to maneuver and no major changes are expected.

The Gandhi Government

Despite early rumors that Mrs. Gandhi would name a younger and more "action-minded" cabinet than Shastri's, she contented herself with only a modest revision of the group she inherited. Eleven of her 15 cabinet ministers have previously held cabinet posts, eight of them under both Shastri and Nehru. Two others have had extensive dealings at the cabinet level, one as a subcabinet minister of state and another--Asoka Mehta--as deputy chairman of India's interdepartmental economic planning commission.

The cabinet selections as a whole seem to emphasize continuity. Nevertheless, a change in the style of administrative leadership is probable. Mrs. Gandhi will rely even more heavily than did Shastri upon the advice of several ministers whose judgment she trusts. A small inner cabinet consisting of herself, Chavan, Subramaniam, and Mehta may well evolve.

By all accounts Chavan has played his cards well. His timely withdrawal from last month's prime ministerial race in favor of Mrs. Gandhi has left him with a strong claim to the job whenever she decides to step down.

THE INDIAN CABINET

24 JANUARY 1966

Prime Minister Indira Gandhi

PORTFOLIO	MINISTER
Home Affairs	G. L. Nanda*
Labor; Rehabilitation	Jagjivan Ram**
External Affairs	Swaran Singh*
Railways	S. K. Patil**
Defense	Y. B. Chavan*
Transport; Aviation; Shipping; Tourism	N. Sanjiva Reddy
Food and Agriculture; Community Development	C. Subramaniam*
Finance	S. N. Chaudhuri
Parliamentary Affairs; Communications	S. N. Sinha*
Education	M. C. Chagla*
Industry	D. Sanjivayya*
Planning	Asoka Mehta
Commerce	Manubhai Shah
Law	G. S. Pathak
Irrigation and Power	Fakhruddin Ahmed

Shastri's cabinet

* Nehru's last cabinet

** Earlier Nehru cabinets

61157

Chavan's political stock rose sharply last year because of the strong showing of the Indian armed forces in their short war with Pakistan.

Since taking over the defense portfolio from the discredited V. K. Krishna Menon at the height of the 1962 Chinese invasion, Chavan has presided over a massive build-up of India's armed strength during which the army has nearly doubled in size and all the services have benefited from an infusion of Western and Soviet bloc equipment. His feud with fellow

Maharashtrian S. K. Patil, the Bombay boss who holds the railways portfolio, may prove troublesome, but Chavan's political base in his home state still appears sound. Another year or so in New Delhi may provide him with the political tools he needs to get around a Patil veto.

Chavan seems to be on good terms with Mrs. Gandhi, and he will probably work toward closer ties with Kamaraj. He will probably be given a relatively free hand in the formulation of defense policy, while the defense implications of India's relations with China and Pakistan will ensure him a major voice in foreign policy decisions.

The agriculture portfolio, a politically dangerous one, continues to rest with the beleaguered Subramaniam. He has long been close to Mrs. Gandhi, and even his enemies grudgingly acknowledge his competence. He is saddled with the enormous task of ensuring that enough food is imported and distributed among India's food-deficit states to ward off the threatened widespread famine. The task requires a delicate combination of pressure and persuasion in dealing with powerful state leaders, each of whom has his own interests to protect.

Subramaniam's efforts may be made all the more difficult by his sour relations with Kamaraj, undisputed boss of Subramaniam's home state of Madras. At the Congress Party's annual session early this month Kamaraj and others clashed sharply with Subramaniam over agriculture policies. If India weathers this year of shortage without extensive starvation it will redound strongly to Subramaniam's credit, but the cost of failure is likely to be high.

Asoka Mehta, a long-time socialist leader who rejoined the Congress Party in 1964 after his appointment to the planning commission, will advise Mrs. Gandhi on economic development. Because defense and agriculture are likely to assume greater importance in future development plans, his efforts will be closely linked with those of Chavan and Subramaniam. Mehta shares with Mrs. Gandhi an affinity for a socialist path toward economic growth, but both are sufficiently flexible to acknowledge the significance of the private sector of the Indian economy.

A fifth figure, Finance Minister Chandhuri, may eventually find himself a part of the inner cabinet, although he is relatively new to national political life and is as yet untested. A conservative corporate lawyer from Calcutta, Chandhuri was selected last December by Shastri to replace the leftist T. T. Krishnamachari. The shift has been salutary if only because Krishnamachari's doctrinaire rigidity was proving troublesome at a time when flexibility was urgently needed. Thus far Chandhuri's perceptiveness and adaptability have earned favorable comment. He is unlikely to become a major political force, but a growing reputation for competence in his key job would almost automatically draw him into the inner circle.

Food Crisis

At the top of the new cabinet's agenda is the expanding food crisis. The worst drought of this century will cause an over-all drop of at least 12 million tons in food-grain production in the agricultural year ending this June, or about 14 percent of last year's production. New Delhi estimates that over 100 million persons will feel the pinch of food scarcity, 12 million of them so seriously that they will be entirely dependent for their survival upon government grain doles. If widespread starvation is to be avoided, at least 11 million tons will have to be imported in calendar year 1966, in contrast to 7.4 million tons imported during the 1964/65 crop year.

Recent studies indicate that imports at that level can be cleared through India's crowded ports, but only if a major effort is made to improve grain-handling efficiency and if priority is given handling operations. However, port labor unions tend to resist the introduction of mechanical equipment, such as pneumatic evacuators. There have already been hints of work stoppages unless the government takes steps to placate the stevedores. Indian shipping interests have also objected to measures necessary to boost grain handling above 9 million tons annually, for they would have to give up the handling of more profitable cargo.

Efficient internal food distribution will also require decisive and effective direction from New Delhi. The recent trouble in Kerala is a case in point. When scheduled rice deliveries to Kerala from the states of Andhra Pradesh and Madras failed to materialize, New Delhi was forced to order a reduction of the proportion of rice in the daily grain ration available to the state's predominantly rice-eating populace. Several weeks of rioting ensued, despite the government's hasty restoration of part of the cut. Finally, after a heated airing of the grievances of food-deficit states at the Congress Party's annual session, New Delhi ordered a return to the original rice allotment.

The government was then compelled to pry loose enough rice from northern wheat-eating areas to meet Kerala's requirements. Under pressure from the food-deficit states, the 16 state chief ministers decided at a meeting with Subramaniam to hold the daily rice portion in rationing programs throughout India to 7 ounces--only an ounce more than the Kerala ration. On paper this goes far toward meeting the deficit states' charges of discrimination, but as a practical matter the implementation of the proposal probably will be limited to major urban areas. Most rice producers will continue to attend to their own needs first, and forcing them to do otherwise would be a political and administrative impossibility.

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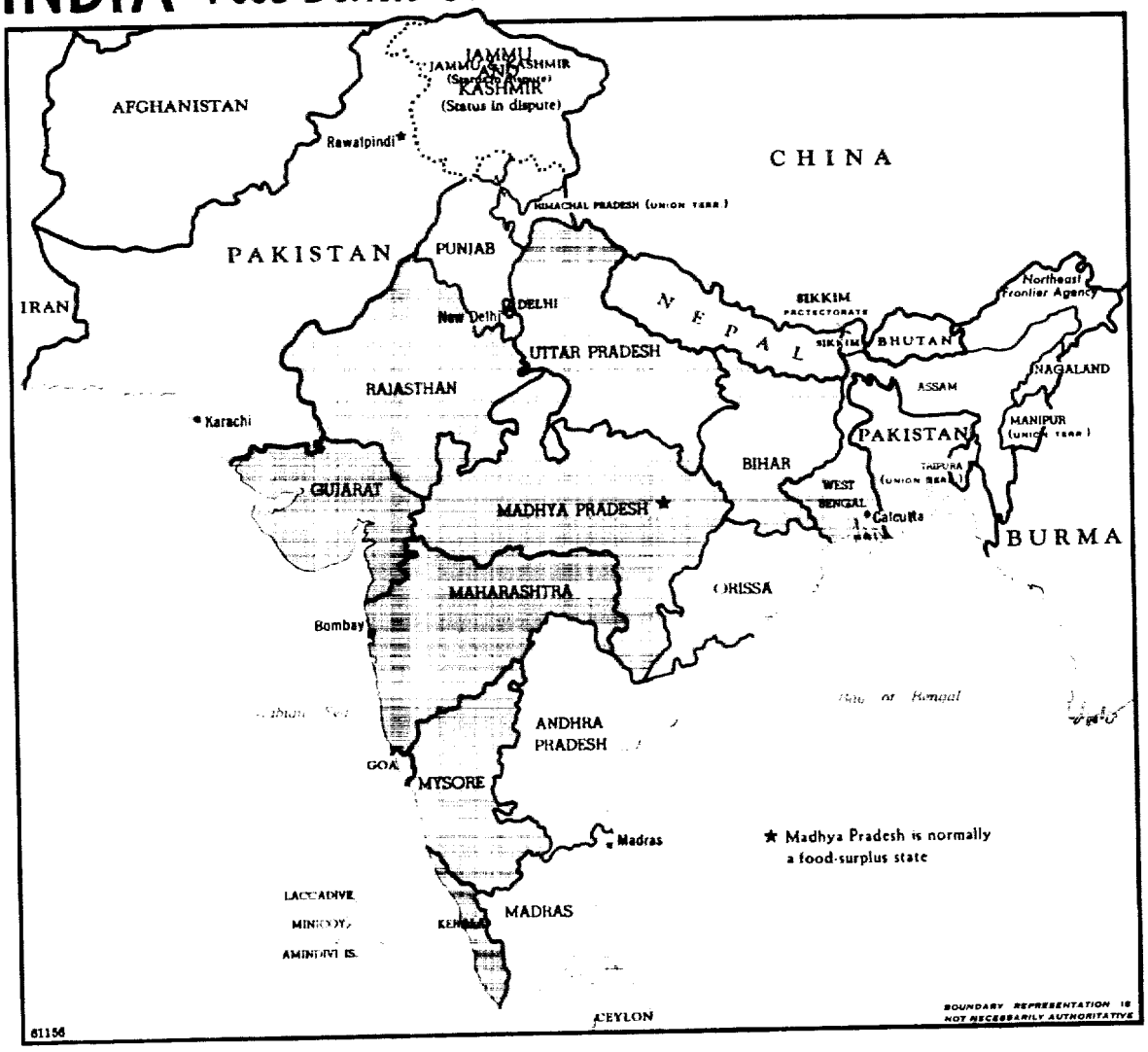
INDIA Food-Deficit States



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Other Economic Troubles

The food crisis aggravates most of India's other serious economic problems. Almost none of the goals of India's third five-year plan, ending 31 March 1966, will be fully achieved. Unemployment is increasing, industrial production is declining, prices are rising, and usable foreign exchange reserves are virtually depleted. Ocean freight costs incurred in importing 11 million tons of grain, estimated at about $150 million will add to the pressure on hard-currency holdings.

Import restrictions to conserve foreign exchange are curbing industrial production, which is also being reduced in many areas by hydroelectric power shortages resulting from the drought. As a result, industry is operating at only about 50 percent of capacity.

The foreign exchange shortage severely limits the importation of spare parts, raw materials, and other items needed to maintain industrial operations. Despite the recently announced US loan of $100 million to finance these imports, the long-term problem will remain.

Faced with these economic difficulties and the disruptive effect of last year's warfare, New Delhi has been forced to shelve the fourth five-year plan (April 1966 - March 1971) and concentrate instead on an emergency one-year development program. Projected outlays are considerably reduced in the 1966-67 plan, with renewed emphasis on agriculture and defense.

When longer term planning is resumed Subramaniam and others can be expected to press hard for an agriculture-oriented plan. They will meet with resistance, however, from other elements within the party who are reluctant to abandon the earlier emphasis upon publicly owned heavy industry. It is too early to tell how much of a genuine shift of long-term goals will actually be written into the revised fourth plan.

Political Discord

While attempting to cope with a sagging economy, the Congress Party leadership must also try to gear up the party for the 1967 general elections. Factionalism has long been rampant in many of India's 16 states, but at election time these feuds take on new importance. Disunity within the party loses votes, and the task of preventing this by effecting temporary reconcilations among implacably hostile Congress leaders belongs primarily to Kamaraj. Although he is probably the most powerful of the party's regional bosses, Kamaraj has had little luck thus far in his attempts to settle quarrels even in his native south India.

Kerala again heads the list of trouble spots. Open splits in both the Congress and Communist parties led to inconclusive results in the 1965 state elections. With no single group strong enough to form a viable

government, New Delhi assumed direct control of the state's administration under the "President's rule" provisions of the Indian Constitution. This arrangement will probably continue until next year's national elections, but any attempt to carry it beyond that point would provoke widespread criticism.

Leaders of the Congress Party therefore must soon prepare to battle for control of the Kerala State legislature. At present, however, the Communists appear to be making better progress toward reunification than is the state Congress organization. Bloc voting by low-caste Hindus gives the Communists an irreducible 35-40 percent of the state vote, and only a workable electoral alliance among the major non-Communist parties can prevent the Communists from repeating their 1957 election victory.

Factional fighting is also rife in a number of north Indian states, notably the Punjab and Uttar Pradesh. The Punjab, scene of most of last year's warfare with Pakistan, is also the battleground for a three-cornered fight involving the chief minister, the home minister, and the state Congress Party's general secretary. Their differences are largely personal, but the disharmony is aggravated by an old language controversy that has recently been reopened. The Punjab's Sikh religious minority has long demanded a separate Punjabi-speaking state, arguing that continued use of two official languages, Punjabi and Hindi, is inconsistent with the 1956 reorganization of states along linguistic lines.

Last August the Sikhs' most influential leader, Sant Fateh Singh, revived the issue by announcing he would begin a fast unto death on 10 September. He promised that unless starvation or the capitulation of the central government intervened he would burn himself to death on 25 September. When war broke out with Pakistan, Fateh Singh called off his protest, but there are rumors that he will resume his threat next April unless Sikh demands are met. He is being egged on by his archrival for Sikh leadership, Master Tara Singh, who presumably would feel little remorse at the sight of the Sant going up in a cloud of smoke.

While all this will probably stop short of a dramatic self-immolation--the consequences of which could be alarming in terms of Hindu-Sikh communal tensions--the attendant furor has considerable disruptive potential. Sikhs who normally support the Congress Party will find their loyalties divided. Hindus too are split on the issue. Those living in the Sikh-dominated northwestern Punjab are predictably opposed to any administrative readjustment. Many of those residing in the economically depressed southeast feel they would benefit from a greater infusion of development funds if the state were divided. State Congress leaders are thus compelled to take differing stands on the issue, and there is virtually no countervailing impetus toward unity.

The quarrel in Uttar Pradesh is probably insoluble. It centers squarely upon factional alliances, with no noticeable ideological differences between contending camps. Chronic sniping within Congress ranks continually disrupts the state's administration by forcing ministers to spend as much energy protecting their flanks as they devote to the affairs of their ministries. The significance of Uttar Pradesh lies in its size--with a population of 80 million, it is by far the largest of India's 16 states--and the fact that it is the prime minister's home state. It is economically backward, and if feuding persists it may provide opposition parties with a fertile field in which to expand their influence.

While all these problem areas represent substantial hurdles for the new government, they are not sufficiently grave to threaten the party with a loss of its nearly three-quarters parliamentary majority in the next elections. A vigorous administration in New Delhi could probably even turn some liabilities into assets by calling for national unity at a time of crisis. Nevertheless, some losses in parliamentary strength are likely despite the best concerted efforts of the party and governmental leadership.

Foreign Policy

At least in the short run, India's need for massive US economic aid may exercise some restraining influence on the brand of nonalignment Mrs. Gandhi's government practices. The long-run desire to keep open the lines to Moscow as well as to Washington for military support in the face of possible hostilities with Pakistan and Communist China will tend to reinforce the growing cautiousness that was evident under Shastri. India's restraint in commenting on Vietnam during the past month may be indicative of a continuing trend.

Because of these broad limitations, Mrs. Gandhi probably will not try to recapture the stature among nonaligned nations once enjoyed by her father. On most issues her view of India's self-interest will probably keep her in step with such other neutrals as Yugoslavia and Egypt and detached from controversy.

Communist China remains a chronic source of concern. In recent weeks both Mrs. Gandhi and Chavan have reiterated their distrust of Chinese intentions. The Indians regard the continued good will of both the US and the USSR as the best deterrent to Chinese expansionism. Soviet military hardware continues to flow into India, and although the US military aid program has not yet been resumed many Indians are confident that the US will step in if a major struggle with China develops.

Relations between India and Pakistan are continuing gradually to thaw. Considerable progress has been made toward implementing the provisions of the Ayub-Shastri Tashkent declarations. Troop withdrawals from territory captured during the hostilities have taken place on schedule, and prisoners of war have been repatriated. There are reports that the Indians intend to return at least four infantry divisions from their emergency stations along the border to their regular cantonment areas in north-central and northeastern India.

Progress has not been as dramatic in nonmilitary areas. High commissioners (ambassadors) have returned to the two capitals. Telecommunications have been restored and overflights by civil aircraft resumed, but the removal of trade impediments appears to be a more knotty problem.

On the fundamental issue of Kashmir's status, the Indians are unlikely to give much ground, even though Mrs. Gandhi does not rank among the hard-liners on Kashmir. Since last year's cease-fire, Indian sentiment has strongly opposed concessions to Pakistan. There is an undercurrent of regret, even among key Congress figures, that Shastri agreed to vacate the posts captured by Indian forces in northern Kashmir. Many argue that the posts are still needed to guard against renewed infiltration attempts. Shastri's sudden death muted much of the criticism that would otherwise have been voiced, but it did not lessen the suspicion with which most Indians still regard Pakistan.

Strains were evident early this month in preliminary discussions laying the groundwork for cabinet-level Indo-Pakistani talks in March, the first of a series of high-level talks agreed to at Tashkent. Rawalpindi, struggling to calm violent expressions of domestic discontent over the accord, proposed that the ministerial meeting deal at the outset with "the problem that led to the Indo-Pakistan war, the future of Kashmir." The Indians bridled, but quickly countered with a proposal that the meetings be held without a formal agenda, the same formulation that saved the Tashkent talks from an early collapse. It may be the only way to keep a dialogue going. The ministerial talks may yield results on matters of secondary importance, but the central issues probably remain too heated for reasoned discussion.

With elections fast approaching, New Delhi is not overly eager for major new initiatives in respect to Pakistan. The Gandhi government will probably continue to follow through cautiously on the Tashkent provisions designed to clear away minor frictions between the two countries, meanwhile guarding warily against any new Pakistani efforts to force serious negotiations on Kashmir. (SECRET)